COMPUTING STATE INDIVIDUAL INCOME TAX ON RESIDENT LOUISIANA RETURNS

To compute Louisiana tax, you need the Louisiana taxable income, the filing status, and total exemptions. The basic idea is to find the 250-dollar span in which the taxable income lies, take the midpoint of that span, and then separate the midpoint income into parts subject to 2%, 4%, and 6% tax.

    I.   Accounts with filing status 1 or 3 - tax computation

First, obtain the midpoint by (1) finding the largest number that is both evenly divisible by 250 and not larger than the taxable income amount, and (2) add 125 to that number.

Example: Suppose the taxable income is $35,834. Then the largest number evenly divisible by 250 that is not greater than the $35,834 is $35,750. So the midpoint is $35,750 + $ 125 = $35,875. (Hint: all midpoints have as their last three digits either 125, 375, 625, or 875.)

Second, obtain the exemption income by (1) taking the dependent exemption of $1,000 * (total exemptions – 1), and (2) adding to that the standard personal exemption of $4,500.

Example: Suppose the total exemptions are 6. Then the exemption income is $4500 + ((6 – 1)* $1000) = $4500 + $5000 = $9500.

Now we compute the tax. If there were no exemptions, we would compute tax as follows:

        2% tax on the first $12,500 of the midpoint income
        4% tax on the next $12,500 of the midpoint income
        6% tax on midpoint income above $25,000

However, exemption income must be subtracted from the lowest brackets (2%, then 4% if exemption income is greater than $12,500) before computing tax.

Example: Suppose the midpoint is $35,875, and exemptions are 6. Then exemption income is $9,500 as in the previous example, and we have:

        2% tax on $3,000 (i.e., $12,500 - $9,500) = $ 60.00
        4% tax on $12,500   = $ 500.00
        6% tax on $10,875   = $ 652.50

                                  $1212.50

This figure rounds to $1213 tax. (We round off to the nearest dollar.)

Example: Suppose the midpoint is $50,375, and exemptions are 4. Then exemption income = $4,500 + $3,000 = $7,500.

        2% tax on $5,000 ($12,500 - $7,500) = $ 100.00
        4% tax on $12,500   = $ 500.00
        6% tax on $25,375   = $ 1522.50

                       $ 2122.50 (rounds to $2123 tax)

II.   Accounts with filing status 2 or 5 - tax computation

Obtain the midpoint as in section I. Then obtain exemption income as
above, except that dependent income is $1,000 * (total exemptions - 2),
and the personal exemption is $9,000. So total exemptions of 5 mean
exemption income of $9,000 + (3 * $1,000) = $12,000.

The tax rates for filing status 2 or 5 are:

        2% tax on the first $25,000 of the midpoint income
        4% tax on the next $25,000 of the midpoint income
        6% tax on midpoint income above $50,000

We subtract the exemption income from the bottom brackets as before.

        Example: Suppose the midpoint is $85,625, and exemptions are 5. Then
                    exemption income is $12,000, and we have:

        2% tax on $13,000 ($25,000 - $12,000)   = $ 260.00
        4% tax on $25,000   = $ 1000.00
        6% tax on $35,625   = $ 2137.50

                                                   $ 3398.00 (rounded)

    III.   Accounts with filing status 4 - tax computation

Obtain the midpoint as in section I. Then obtain exemption income as
above, except that dependent income is $1,000 * (total exemptions - 1),
and the personal exemption is $9,000. So total exemptions of 5 mean
exemption income of $9,000 + (4 * $1,000) = $13,000.

        Example: Suppose the total exemptions are 6. Then the exemption income
        is $9000 + ((6 - 1)* $1000) = $9000 + $5000 = $14000.

Now we compute the tax. If there were no exemptions, we would compute tax
as follows:

        2% tax on the first $12,500 of the midpoint income
        4% tax on the next $12,500 of the midpoint income
        6% tax on midpoint income above $25,000

However, exemption income must be subtracted from the lowest brackets
(2%, then 4% if exemption income is greater than $12,500) before
computing tax.

        Example: Suppose the midpoint is $35,875, and exemptions are 6. Then
        exemption income is $14,000 as in the previous example, and we have:

        2% tax on $0 (i.e., $12,500 - $12,500)   = $ .00
        4% tax on $11,000 (12,500 - 1,500)   = $ 440.00
        6% tax on $10,875   = $ 652.50

                                                    $ 1093.00 (rounded)

    IV.   Accounts with total exemptions > 8

If a taxpayer claims more than 8 exemptions, then we subtract $1,000 from taxable income for every exemption over 8, and calculate the tax using 8 exemptions and the adjusted taxable income.

V. Single accounts with taxable income > $51,000 or joint accounts with taxable income >$101,000

Our printed tax tables only go to $51,000 (for filing status 1, 3, or 4), or $101,000 (for filing status 2 or 5). For taxable income above the cutoff point for its filing status, we calculate the tax in a special way.

(1) We first calculate the tax as if the cutoff point minus $125 (i.e., $50,875 or 100,875) was the midpoint.

(2) We then calculate the tax for the taxable income above the cutoff point by taking 6% of it and rounding to the nearest $.

(3) We add figures 1 & 2 to get the final tax.

> Example: The taxable income is $134,251, the filing status is 2, and number of exemptions is 5. The exemption income is $9,000 + ((5-2)
> - $1,000) = $12,000.

We calculate tax on $100,875.

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    2% tax on $ 13,000 ($25,000 - $12,000)    = $   260.00
    4% tax on $ 25,000                        = $ 1,000.00
    6% tax on $ 50,875                        = $ 3,052.50
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                                  (Rounded)     $ 4,313.00 (rounded)
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So the total tax is:
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Tax on $ 100,875                              = $ 4,313.00
6% tax on $ 33,251 (excess of $101,000)       = $ 1,995.06
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                                  (Rounded) $ 6,308.00 (rounded)
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